

ENERGY EFFICIENCY AS A SERVICE - TERM SHEET

The purpose of this Term Sheet is to describe some of the basic terms regarding the program and structure of the Energy Efficiency as a Service (EEaS) Pilot. This Term Sheet is not, nor is it intended to be, an offer, an acceptance, or a binding agreement of any kind. Any binding commitment by the City for Participants or Energy Efficiency Developers to enter into the Energy Efficiency as a Service (EEaS) Pilot program will be made only upon signing of a definitive Participation Agreement and Power Purchase Agreement. The Agreements are intended to include the following terms:

<i>Program Overview</i>	
Program Description:	Energy Efficiency as a Service Pilot Program is intended to unlock deeper energy efficiency in commercial buildings by paying for measured electricity savings over time instead of providing an upfront incentive. The program requires a Power Purchase Agreement (PPA) between the City and an Energy Efficiency Developer (EE Developer) whereby the City pays PPA payments for efficiency energy generated at a site. The program also requires a Participation Agreement (PA) between the site's City Light Customer (Participant) and the City, whereby the customer buys verified efficiency energy from the City at the site through monthly billing of an Energy Efficiency Service Fee.
Project Development:	<p>The Participant's site must be a commercial or new construction building where the utility account and corresponding meters make up at least 90% of the site's electricity consumption. The project consists of a collection of Energy Conservation Measures (ECM) which are implemented at the site by the EE Developer throughout the term of agreement. An ECM in this program is any type of energy efficiency or energy conservation project or activity conducted, related to the installation, repair, or replacement of energy-efficient equipment or building systems, implementation of capital projects, operational & maintenance (O&M) improvements, or new means of training or managing users of the space, intended to improve the energy productivity of or generate efficiency energy at the site.</p> <p>Efficiency energy is the calculated avoided energy use harvested at the site by the EE Developer, which is quantified by the M&V Consultant. This is an energy efficiency resource. Avoided energy use is the reduction in electricity use that occurred in the performance period, relative to what would have occurred if the facility had been equipped and operated as it was in the baseline period, but under performance period conditions. For new construction, the difference between the Seattle Energy Code target energy use (C401) and the participant's actual energy use shall be considered the avoided energy use.</p>
<i>Agreement Term & Timeline</i>	



Term	<p>The PPA and PA agreements shall become effective on the execution date of signatures by the parties and shall remain in effect for 20 years unless terminated earlier by either party according to the terms of the agreement.</p> <p>Energy efficiency service fees and PPA payments shall commence upon the start of the performance period and will continue until the end of the term. For existing building retrofits, the performance period refers to the period of time after the EE Developer has implemented initial ECMs at the site resulting in a reduction of monthly energy consumption at least 10% relative to the baseline model and written approval has been provided by City Light. For new construction, the performance period begins when the building is 75% occupied and written approval has been provided by City Light</p>
Process Schedule	<p>Once the performance period has begun, and after the City has verified that the EE Developer has implemented ECMs at the site and the M&V Consultant verifies avoided energy use has reached 10% or more of monthly baseline electricity use or has reached 75% occupancy, the City will pay the EE Developer for delivered efficiency energy at the PPA rate and bill the participant for efficiency energy according to the following timeline:</p> <ol style="list-style-type: none">1. End of City Light Customer's billing period.2. The participant's normal utility energy usage bill is generated by City Light.3. City Light will then provide M&V Consultant necessary information to quantify baseline energy use and avoided energy use.4. M&V Consultant will provide participant, EE Developer, and City Light a detailed summary of the avoided energy use (efficiency energy) after receiving necessary information from City Light.5. City Light will verify the avoided energy use and calculate the PPA rate and PPA payment amount.6. City Light will generate an energy efficiency service fee bill for participant and make a separate PPA payment to the EE Developer.
Fees & Payments	
Energy Efficiency Service Fee	<p>The City will use a portion of the energy efficiency service fee to procure and deliver efficiency energy. back to participant This efficiency energy is intended to provide Participant the same customer experience as other Seattle City Light energy users with greater conservation benefits and to provide greater predictability in energy bill charges over time.</p> <p>Efficiency Energy is the calculated avoided energy use harvested at the site by the EE Developer, which is quantified by the M&V Consultant for each billing period.</p> <p>Participant is obligated to pay the energy efficiency service fee for the term of the participation agreement. The participant acknowledges and agrees that the energy efficiency service fee is separate from and additional to charges for actual electricity used, which will be billed by city electrical rates pursuant to City Light's Policies and Procedures, as they may be updated and amended. The energy efficiency service fee</p>



posted on a monthly bill may be based on a previous month's efficiency energy delivered due to the inherent lag in calculation of avoided energy use.
The Energy Efficiency Service Fee (EE Service Fee) shall be calculated according to the following:

$$\text{EE Service Fee} = (\text{EEaS Rate} \times \text{Efficiency Energy})$$

Whereby,

Energy Efficiency as a Service Rate (EEaS Rate) = The average volumetric (\$/kWh) rate(s) of electricity reflected on the participant's bill for the participating site for a particular billing period. This rate shall reflect the sum-total of any electricity-related bill charges collected volumetrically (\$/kWh) (e.g. electricity, delivery, storage, etc.), divided by the total electricity (kWh) consumed for that billing period to derive a weighted average \$/kWh. The EEaS rate in the participation agreement with the participant shall be the same as the PPA Rate in the PPA with the EE Developer, with the exception that the PPA rate shall have a price floor specified below.

The energy efficiency service fee will be billed to the participant following these payment procedures:

- i. All participants shall receive uniform consideration and courtesy in all credit and collection matters.
- ii. All charges are due and payable by the due date shown on the bill and become delinquent thereafter. Participants who question or dispute their bills are encouraged to contact Seattle City Light. An investigation will take place regarding any charges that the participant believes are in error. Any bill adjustments made as result of an investigation will be retroactively trued-up on subsequent participant bills.
- iii. For participants who owe on any program bills more than fifteen (15) calendar days past due a 1% interest fee will be charged to the participant's account per month until paid in full, interest will compound monthly. A \$10 additional fee per month may be added to participant's accounts to cover cost of past due administration and collection efforts.
- iv. If participant is unable to pay in full on next billing cycle, the City Light Credit and Collections Unit may charge additional late fees or interest, may refer accounts to the Law Department or to a collection agency, or use other available legal procedures.
- v. Right of Appeal – Participants who disagree with the decisions of designated Department, shall have the further right to appeal to the Department's Hearing Officer.
- vi. If nonpayment occurs for any 6 months, sequential or nonsequential, it will constitute a material breach of this Agreement and a termination



	<p>notice will be provided to the participant in writing. As a non-exclusive remedy for this breach, City may require participant to pay liquidated damages ("Liquidated Damages") calculated by City to reasonably approximate the value of the energy efficiency service fee payments that would have been made for the term of the Agreement. If City elects to require payment of liquidated damages, City will calculate liquidated damages to recover for City all costs created by nonpayment of the energy efficiency service fee, including administration costs. Participant agrees the liquidated damages are not a penalty.</p>						
PPA Payment	<p>Determination of the amount of efficiency energy, and thus PPA payment, will remain in the sole discretion of the City, which shall use the services of the M&V Consultant to develop and maintain a baseline model for the site and to determine the avoided energy use and efficiency energy each payment cycle. For each billable kilowatt-hour of efficiency energy measured by the M&V Consultant and confirmed by City, the City shall pay the EE Developer a PPA Payment as calculated below for each billing cycle.</p> <p>The PPA Payment shall be calculated according to the following:</p> $\text{PPA Payment} = (\text{PPA Rate} \times \text{Efficiency Energy} \times \text{Reserve Adjustment}) - \text{M\&V Consultant fees}$ <p>Whereby,</p> <p>PPA Rate = The average volumetric (\$/kWh) rate(s) of electricity reflected on the participant's bill for the participating site for a specific billing period. This rate shall reflect the sum-total of any electricity-related charges collected volumetrically (\$/kWh) (e.g. electricity, delivery, storage, etc.), divided by the total electricity (kWh) consumed for that billing period to derive a weighted average \$/kWh. The EEaS rate in the participation agreement with the participant shall be the same as the PPA Rate in the PPA with the EE Developer, with the exception that the PPA rate shall have the following price floor:</p> <table><tr><th>Customer Rate</th><th>PPA Price Floor</th></tr><tr><td>Medium / Large Customer (City)</td><td>\$0.08/kWh</td></tr><tr><td>Medium / Large Customer (Downtown Network)</td><td>\$0.09/kWh</td></tr></table> <p>Efficiency Energy is the calculated avoided energy use harvested at the site by the EE Developer, which is quantified by the M&V Consultant for each billing period.</p>	Customer Rate	PPA Price Floor	Medium / Large Customer (City)	\$0.08/kWh	Medium / Large Customer (Downtown Network)	\$0.09/kWh
Customer Rate	PPA Price Floor						
Medium / Large Customer (City)	\$0.08/kWh						
Medium / Large Customer (Downtown Network)	\$0.09/kWh						



	<p>Reserve Adjustment (0.85). A fifteen percent adjustment factor will be applied to the PPA rate by City Light to create a reserve fund, which applies to all energy efficiency developers. The reserve is intended to cover the utility's risk of Participant non-payment, contract disputes, litigation costs, and administrative costs beyond those being absorbed by the City for routine operations.</p> <p>M&V Consultant fees. Any fees billed by the M&V Consultant to City Light for services rendered which are specific to the site will be passed through to the EE Developer for each billing period. This may include costs for services such as establishing a baseline model, quantifying efficiency energy, monitoring ongoing performance, managing dispute resolution, identifying non-routine events, or performing non-routine adjustments.</p>
Measurement & Verification	
Validation	<p>For existing building retrofits, the M&V Consultant will use meter data, weather, and other variables to estimate baseline energy consumption, which will be used to will be used to determine the avoided energy use and efficiency energy at the site.</p> <p>New construction, additions, and space use type changes will use 2015 Seattle Energy Code sections C401.3.2.1, C401.3.8, C401.3.9 and C401.3.10 and Code Official guidance to create a monthly transactable energy allowance, which will be adjusted annually per code provisions.</p> <p>Efficiency energy will be determined by the M&V Consultant operating under a contract with the City and subject to the City's approval.</p> <p>The equations that govern the baseline model will be provided to the EE Developer and participant in writing by the M&V Consultant and will be used to quantify avoided energy use and Efficiency Energy. The M&V Consultant has sole discretion to modify the baseline model over time as needed to account for non-routine events and ensure avoided energy use is the result of implemented ECMs at the site. A record, log, and revision history of this baseline model will be maintained by the M&V Consultant to reflect the nature and timing of any permanent non-routine adjustments made throughout the term of the agreement; this will be provided to the EE Developer upon request. Non-routine events which are temporary in nature will have non-routine adjustments made to the avoided energy use calculations by the M&V Consultant.</p> <p>Proper selection, design, installation, and commissioning of the ECMs or equipment shall be the responsibility of the EE Developer and participant. EE Developer will collaborate with the Participant to grant the City permission and access to the site to perform ECM and site evaluations for the program. The City may, at its option, during reasonable hours and with notice to the participant, perform pre- and post-</p>



	<p>installation monitoring and visual verification of the implemented ECMs, in order to determine the energy savings, and if necessary, to verify EE Developer's compliance and performance obligations under the Agreement.</p> <p>City may (at its discretion) conduct evaluation and validation of the M&V Consultant's work including but not limited to: Avoided energy use calculations, baseline model, and non-routine adjustments. Should evaluation and validation find that the amount of efficiency energy delivered by the EE Developer at the site requires adjustment, adjustments will be performed by the M&V Consultant and approved by City Light. If these adjustments result in an increase or decrease of efficiency energy delivered at the site, payment adjustments will be reflected on subsequent EE Developer payments.</p>
Baseline Model & Adjustments	
Measurement Boundary	A measurement boundary will be drawn around whole-building meters to segregate those which are relevant to savings determination from those which are not. All equipment or systems that serve the measurement boundary must be accounted for in the energy meters, whether the systems are within the boundary or not.
Baselines	<p>Existing building retrofit projects will use a baseline derived from their actual historical energy use and operating conditions of the building.</p> <p>New construction, additions, and space use type changes will use 2015 Seattle Energy Code sections C401.3.2.1, C401.3.8, C401.3.9 and C401.3.10 and Code Official guidance to create a monthly transactable energy allowance, which will be adjusted annually per code provisions.</p>
Baseline Model	The baseline model for this program is a mathematical representation or calculation procedure that is used to predict the energy use in a building or facility (or counterfactual baseline energy) had no ECMs been implemented. Models may be based on equations that specifically represent the physical processes or may be the result of statistical analysis of energy-use data.
Avoided energy use	<p>The avoided energy use is the reduction in electricity use that occurred in the performance period, relative to what would have occurred if the facility had been equipped and operated as it was in the baseline period, but under performance period conditions.</p> <p>Avoided Energy Use (or Energy Savings) = Counterfactual Baseline Energy - Performance Period Energy +/- Non-Routine Adjustments</p>



	For new construction, additions, and space use type changes, the difference between the Seattle Energy Code target energy use (C401) and the Participant's actual energy use shall be considered the avoided energy use.
Baseline Adjustments	<p>Non-routine events are changes in building energy use that are not attributable to changes in the independent variables used in the baseline model nor to the ECMs that were installed at the site. Because these changes are unrelated to the ECMs implemented as part of the project, they are not to be considered in the quantification of efficiency energy, and the Avoided energy use may be adjusted by making non-routine adjustments. The EE Developer and participant will be responsible for reporting potential non-routine events as soon as they arise, or at a minimum, in quarterly reports.</p> <p>Non-routine adjustments shall be made to the baseline model, counterfactual baseline energy, avoided energy use, or actual energy use to account for non-routine events which have occurred. The M&V Consultant will consult with City to recommend that non-routine adjustments be made to remove the influence of non-routine events in the avoided energy use calculation and quantification of efficiency energy. City will be responsible for approving non-routine adjustments proposed by the M&V Consultant. In the event of Non-Routine Adjustment, Participant agrees to share access to Portfolio Manager, interval meter data, and submeter data with M&V consultant for purposes of quantifying Avoided energy use.</p>
Miscellaneous	
Contingencies	<ul style="list-style-type: none">• This program requires both execution and implementation of the power purchase agreement with an EE Developer and execution and implementation of a participation agreement at the site by which participant consents to be billed an energy efficiency service fee based on the efficiency energy generated at the site. If at any time one of these agreements terminates this will constitute a noncompliance of the other agreement.• If the site is sold to a new owner who fails to enter a participation agreement for the purchase of efficiency energy at the site within thirty (30) days of close of sale, the power purchase agreement and participation agreement will terminate.• In the event that the PPA is terminated within the first 5 years from the execution date, the EE developer may be eligible for an energy efficiency incentive from Seattle City Light. This incentive would be earned through current Seattle City Light conservation energy program offering at the time of termination. Any energy efficiency incentive provided by Seattle City Light standard programs is subject to verification, evaluation, and will be less any PPA payments already made to the EE developer.
Liability	The participant will be solely liable for any and all disputes with site tenants related to the program or tenant-funded improvements, which may not result in reduced energy efficiency service fees. Participant acknowledges and agrees participation in



	<p>this program is voluntary and that the City assumes no liability for: Participant's decision to enter into this agreement; the ECMs selected by the EE Developer; any third parties selected by participant or EE Developer to implement such ECMs; any disputes, injuries, damages, or fatalities arising out of installation, repair or replacement of the equipment installed by EE Developer or subcontractors; or any disputes arising if participant chooses to recoup energy efficiency service fee payments by passing on charges to tenants or other third parties.</p>
Reporting	<ul style="list-style-type: none">• EE Developers in the program will need to report data and information regarding workforce and Women and Minority Owned Businesses (WMBE) utilization at 50% and 100% completion of construction or capital projects over 5 million dollars.• In order to conduct avoided energy use calculations, the City (acting through a M&V Consultant) will require access to participant data including, quarterly reports, occupancy data or other relevant independent variables selected by the M&V Consultant, ECMs, ENERGY STAR Portfolio Manager, interval meter data, data center IT loads, retail operating hours, space use type, and submetering data.